

## VI. HOUSING PROGRAMS

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#### A. INTRODUCTION

The purpose of this chapter is to describe the Bureau's minimum requirements for the administration of a CDBG-Small Cities housing program, and to establish some basic uniform guidelines. Attachment 1 provides a flow chart to show, in general, how a rehab project should proceed.

#### B. INCOME

1. Section 8 income levels (80% of county median income) as established by the Department of Housing and Urban Development define low and moderate incomes (LMI) for this program. Please contact BOLD to make sure you are using the most current income limits.

2. For the purpose of calculating income, you must use the following definition:

Total household income shall include all income sources from all members of the household who are at least 18 years of age. Annual household income includes, but is not limited to:

- a. The gross amount, before **ANY** payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, and bonuses;
- b. The net income from the operation of a business or profession, or from rental of real or personal property (depreciation on buildings and/or equipment must be added back into the income amount);
- c. Interest and dividends;
- d. The full amount of periodic payments received (including minor children) from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
- e. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- f. Public assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities, which is subject to adjustment by the public assistance agency, in accordance with the actual cost of shelter and utilities, the amount to be included as income shall consist of:
  - 1) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
  - 2) The maximum amount which the public assistance agency could in fact allow the household for shelter and utilities;
- g. Periodic and determinable allowances, such as alimony and child support income, and regular contributions or gifts received from persons not sharing the household;
- h. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the household) who is the head of the household or that person's spouse.

3. **Excluded** in the determination of annual household income is:

- a. The earned income of any household member (other than the household head or spouse) who is under 18 years of age, or is a full-time student (under 22 years of age)
- b. any nonrecurring temporary income such as inheritances, insurance payments (including payments under health and accident insurance, and workmen compensation), capital gains, one-time tribal profits, and settlement for personal property losses
- c. child support payments made and expected to continue for at least one year
- d. income received for the care of foster children or foster adults
- e. income of live-in aides

- f. income from HUD training programs
  - g. income from educational scholarships paid directly to the student or educational institution
  - h. income from the government to a veteran for the use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student
  - i. special pay to a household member serving in the armed forces who is exposed to hostile fire
  - j. amounts specifically excluded by any other federal statute from consideration as income
  - k. amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program
  - l. amounts received by a disabled person that are disregarded for a limited time for the purposes of SSI eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS)
  - m. regularly recurring medical expenses, for a chronic medical condition which is not covered by insurance, and which may reasonably be expected to continue
  - n. annual rent credits or rebates paid to senior citizens by government agencies
  - o. relocation payments under Title II of the Uniform Act
  - p. face value of food stamps
  - q. payments received from VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, or senior companions
  - r. payments received under the Job Training Partnership Act
  - s. earned income tax credit refunds
  - t. reimbursements for the costs of medical expenses
  - u. assets
  - v. adoption assistance payments
  - w. amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home
4. It is important to treat all applicants fairly and consistently when calculating income. Income may be calculated by any one of the following methods:

- a. verifying an applicant's income from the previous year
  - b. projecting an applicant's income for the next 12 months based on their average income for the most recent 3 months
  - c. using the average income from the last 6 months and adding to it the projected income for the next 6 months (based on the current month's income)
5. Whenever possible, the occupants' most recent tax return must be used to verify that all sources of income have been considered in the income calculation. Current documentation, such as pay stubs, must be on file to document the actual amounts of all identified sources of income.
  6. Household size includes all full-time household members, foster children, and other minor children who reside in the household for more than 50% of the year.
  7. Use the following formula to calculate business profit/loss for applicants who are self employed:
 

Gross regularly recurring income  
 - (minus) total expenses  
+ (plus) depreciation  
 = (equals) business profit

If the calculation results in a negative number, you can assume the family is living on loans.
  8. Income must be verified within six months of loan closing.

If you have any questions regarding income or how to calculate income, please contact Gina Truly at (608) 267-4574 or Marti Wilson at (608) 266-5842.

#### C. LMI BENEFIT

1. All households directly benefitting from the CDBG-RLF housing rehabilitation program must be at or below the appropriate Section 8 income limit for their county.
2. Occupants of a dwelling unit who will be displaced as a result of a CDBG-funded project need not meet Section 8 income guidelines to receive acquisition or relocation payments.
3. At least 75 percent of the units in a structure being rehabilitated with CDBG-RLF funds must be occupied by LMI families. For example, a six-unit structure being rehabilitated with CDBG-RLF funds must have at least five units occupied by LMI families ( $6 \times 75\% = 4.5$ ). If the 75 percent occupancy guideline is met, the rehabilitation of all common areas of the structure (e.g., roof, siding, plumbing, hallway) may be done. Non-LMI units may NOT be rehabbed.
4. Handicapped accessibility improvements may be made ONLY if the occupant's household income meets the Section 8 guidelines.

#### D. RENTAL REHABILITATION

1. Rent Limits

The grantee must establish locally affordable rent limits for LMI tenants in units rehabbed with CDBG funds. This may be done in one of three ways.

- a. Percentage limit  
Landlords will agree to limit annual rent increases to a small percentage of the existing rent being charged at the time of rehabilitation.
- b. Actual cost limit  
Landlords will agree to limit annual rent increases to the actual increased costs they incur for utilities (if applicable) and taxes.
- c. Fixed limit  
The grantee will establish a fixed monthly rent for units rehabbed under the CDBG program. The limits must be established by unit size (number of bedrooms), with or without paid utilities, and must reflect the rental market rates in the community.

2. Assurances

Prior to the initiation of a rental rehabilitation project (including vacant rehab and conversion projects) the property owner must agree, in writing, to:

- a. Limit rents as described in the community's Housing Procedures Manual (see D.1.).
- b. Rent to low- or moderate-income families for five years or the term of the loan, whichever is less.

3. Verification

Following the completion of the rehabilitation, all tenants in rehabbed units must be documented as LMI. The grantee must also develop and implement an annual verification of LMI occupancy (see Attachment 8). The annual verification must document that:

- a. The rents being charged comply with the terms of the loan; AND
- b. The original tenant continues to reside in the unit; or
- c. The tenant who is different since the last verification, met LMI income levels at the time of occupancy. The property owner must be made aware that it is his/her responsibility to verify the income of any new tenants that come in during the term of the rehab agreements.

Because a tenant's income increases and exceeds the current LMI income limits is NOT a reason for eviction.

4. Notices

- a. As soon as a landlord applies for assistance, all tenants of property to be rehabilitated in whole or part with CDBG funds must receive written notice that the rehabilitation work is going to take place. The notice must inform them that they are not being displaced by the rehabilitation activity, and that any tenant who moves as a result of

the rehabilitation will NOT be eligible for relocation payments (see Attachments 2 and 3). Evidence of the delivery of those notices must be included in each project file.

- b. All tenant households must receive a copy of the lead-based paint hazard notification. Evidence of the delivery of that form must be included in each project file.

## E. REHABILITATION ACTIVITIES, COSTS AND PAYMENTS

**NOTE:** Rehabilitation is defined as: "...to restore to a former state or condition." CDBG rehab activities are intended to repair what is existing, not to remodel.

### 1. Priorities

All rehab projects should try to correct all health and safety deficiencies in a dwelling unit whenever possible. To the extent that this is not feasible, prioritize the rehab work to be done so that the most severe health and safety problems are corrected first.

All households must receive a copy of the lead-based paint hazard notification (see Attachment 4). Evidence of the delivery of that form must be included in each project file (see Attachment 5).

### 2. Eligible Activities

In general, eligible rehab activities include work necessary to put the property into a decent, safe, and sanitary condition.

All activities must take place within the grantee's jurisdictional boundaries.

### 3. Ineligible Activities

- a. Ineligible rehab activities can generally be thought to include work which is not necessary to put the unit into decent, safe, and sanitary condition. New construction (except to relieve overcrowding or to address handicapped accessibility), cosmetic only landscaping, furnishings, appliances, and repairs to accessory buildings, freestanding garages or sheds are typically considered to be ineligible housing rehab activities.
- b. CDBG-RLF funds may NOT be used to reimburse property owners for work which has been contracted for or completed prior to the property owner signing agreements with the grantee.
- c. Rehabilitation work that was completed and not submitted for environmental review, but would otherwise have required additional ERR compliance, will be identified as "ineligible" and the funds will be reimbursed to the program.

### 4. Administrative Costs

Administrative costs which are specifically related to a particular rehabilitation loan (e.g., inspection fees, title check, recording costs) may be charged against the RLF project account ONLY if the charges are included in the amount of the loan to the borrower.

If project funds are used to pay for inspection fees or a title check, and the project IS NOT FUNDED, those costs must be reimbursed with administrative dollars.

5. Inspections and Specifications

It is expected that all inspection reports shall address ALL deficiencies in the dwelling unit, and should include, at a minimum, the Housing Quality Standards Inspection form. The following requirements apply to CDBG and CDBG-RLF funded activities:

- a. All property must be inspected by a trained building inspector.
- b. A written detailed report of the findings of all inspections must be included in each project file, and given to the applicant.
- c. A list of detailed work specifications must be developed based on the initial housing inspection.
- d. For purposes of environmental review, if the age of the structure is not known, it must be assumed to be over 50 years old.
- e. The initial and final inspection reports must include a line specifically noting the condition of the paint on all impact, friction and accessible surfaces, as well as the presence of smoke detectors.
- f. A thorough inspection of the work must be completed prior to authorizing the payment of funds for the rehabilitation.
- g. All project files must contain a FINAL INSPECTION CHECKLIST (Attachment 4).

6. Bidding

Whenever possible, establish rehabilitation loan amounts based on specific "project" bids. If a "time and materials" bid estimate is to be used, get prior approval, in writing, from BOLD.

Whenever possible, prepare a cost estimate to accompany the work specifications. This cost estimate will be used to evaluate the appropriateness of the bids submitted for the project.

Contractors will submit bids ONLY to the CDBG-RLF program administrator. Each project file must contain authorization by the homeowner of the selected bid(s). CDBG does not consider the signature of the homeowner on the rehabilitation contract to be approval of the selected bid(s).

7. Smoke Detectors

ALL housing units which are rehabilitated in whole or part using CDBG-RLF funds must have an adequate number of functioning, properly placed smoke detectors. The purchase and installation of smoke detectors is an eligible CDBG-RLF expense.

Smoke detectors must be placed:

- in the basement;
- at the head of every open stairway;
- at the door on each floor leading to every enclosed stairway; and
- either in each sleeping area of each living unit or elsewhere in the unit within 6 feet from the doorway of each sleeping area and not within a kitchen.

For all tenant-occupied units of more than two units, all smoke detectors in stairways, corridors and other public places in the building shall be directly and permanently wired to a proper unswitched circuit.

## 8. Asbestos

Asbestos is most commonly found in older homes in pipe and furnace insulation materials, asbestos shingles, millboard and transite siding, textured paints and other coating materials, and floor tiles. The only way to identify whether a material is asbestos (containing more than 1% asbestos) is to test the material. The handling of asbestos-containing materials is regulated by the Environmental Protection Agency (EPA) under the National Emissions Standards for Hazardous Air Pollutants (NESHAP), 40 CFR Part 61, and the Occupational Safety and Health Administration (OSHA) under regulations delineated in 29CFR 1926.1101.

In Wisconsin, the Department of Natural Resources (WDNR) enforces the control of asbestos emissions through chapter NR447 Wisconsin Administrative Code. The Wisconsin Department of Health and Family Services (WDHFS) requires and enforces training and certification of individuals involved in asbestos-related activities through chapter HFS159, Wisconsin Administrative Code.

### **General Policy on Asbestos:**

ALL rehabilitation that is done in whole or part with CDBG-RLF funds must comply with state and federal asbestos removal requirements.

- ◆ Leave undamaged asbestos in place. Asbestos should only be removed when it is damaged, crumbling, or disturbed by building renovation or demolition.
- ◆ Contractors certified by WDHFS or homeowners can legally perform removal of asbestos-containing material.
- ◆ Regulations regarding disposal in an approved landfill must be followed. Disposal is regulated by WDNR, Bureau of Solid Waste Management.

### ◆ **Important:**

Renovations or demolition of a single, isolated, residential dwelling unit or structure with 4 or fewer dwelling units is exempt from WDNR asbestos regulations for air emissions

**BUT**

































































